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SUBJECT: CZECH PM GROSS APPEARS LIKELY TO RETAIN HIS POSITION

Ref: Prague 232

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11. (U) Summary: The crisis which until yesterday seemed to be threatening the unity of the current Czech government coalition (reftel) increasingly looks like just another episode in the uneasy coexistence of the Social Democrats and Christian Democrats. The governing coalition, with its one-vote majority, looks set to stay in place for the time being, as there is no real interest among the main actors on the political scene to bring it down. This includes Miroslav Kalousek, chairman of the Christian Democrats and the initiator of the latest attack on PM Gross. The Christian Democrats have softened their demands and seem to be satisfied by Gross's promise that his wife will cease all her business activities. END SUMMARY

12. (U) This week has seen a series of reports on Christian Democrat Chairman Kalousek, beginning just after PM Gross left for a three day visit to France. The reports started dramatically, with Kalousek threatening to pull his party out of the governing coalition. On February 15, Kalousek issued a statement calling for an extraordinary meeting of the leadership of the coalition parties and a follow-up negotiation which would also include the opposition ODS. Many expected that he would call on PM Gross to resign (reftel). However, late on February 16, Kalousek appeared to back down, saying that he only meant to say that he would support the Prime Minister's Social Democrats if they were to decide to replace Gross.

13. (U) In addition to Kalousek, the Christian Democrat leadership published a statement on February 16, calling for the Social Democrats to solve the current crisis by replacing Gross. On February 17, Gross called on the three Christian Democrats serving in his cabinet (Foreign Minister Cyril Svoboda, Transport Minister Milan Simonovsky and Environment Minister Libor Ambrozek) to tell him personally, within the next 24 hours, whether they still want him to resign. Since the party chair has already backed down, it is assumed these three cabinet members will as well, and that will be the end of the talk about no-confidence votes, at least until the next crisis.

14. (U) Both the main actors in the latest drama, Gross and Kalousek, are likely to claim victory in this stand-off. Gross has been able to maintain his position by merely stating that his wife would temporarily suspend her business activities. Kalousek can argue that while contributing to the stability of the government and the reputation of the Czech Republic abroad, he forced the PM to concede on a point important to his constituents. Both politicians have proved in the past to be very skilled in selling their own version of events to the media.

15. (U) While the government will stay in place for now, internal divisions and crises within the government are not to be ruled out in the future. In addition to the natural differences on various economic and social issues, there will be increased tensions as we get closer to parliamentary elections scheduled for June 2006. Many observers believe that the Christian Democrats will sooner or later walk out of the coalition to improve their image before the elections and to distance themselves from the Social Democrats, who have been plagued by scandals and ineffective governance. However, for the time being, it appears that the Christian Democrats feel they are better off inside the government than outside.

16. (SBU) Comment: Events could well take another turn in the coming days, but for now it appears likely that Gross will keep his position. Gross's survival is definitely good news for his party. Most party members are relieved that they will not have to look painfully for a new candidate for the post of party chairman at the party congress next month. However, this is not good news Czechs who are concerned about the scale of corruption or conflict of interest in Czech politics. A prime minister with murky financial transactions looks set to stay in his position. And the heat from the latest scandals appears to be dissipating so quickly that there seems to be no compulsion or sense of urgency to strengthen requirements on disclosure of personal

assets, including family members. The coalition parties and the opposition are very critical of each other's ethics, but are very reluctant to take any steps that would force them to reveal sources of income, positions on company boards, or assets held. Most Czechs, being both pessimists and realists, generally expect a quick return to status quo ante and are already complaining that an opportunity to cleanse their political system has been wasted.